

NEW YORK TIMES

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Diggs Asked to Quit 2 Posts but Refuses

Special to The New York Times

WASHINGTON, April 10—At the urging of two Democratic Congressmen, the Speaker of the House, Thomas P. O'Neill Jr., met today with Representative Charles C. Diggs Jr., Democrat of Michigan, to pass along the request of the two Congressmen that Mr. Diggs voluntarily give up his chairmanship of two House committees until a 35-count criminal indictment against him is resolved.

Mr. Diggs refused. His staff said he stood by his past assertion that he is innocent and that his indictment does not affect his standing as a member of Congress.

Mr. Diggs, a 12-term member of Congress, was indicted on March 24 by a federal grand jury, which charged that he took kickbacks from members of this staff. He was arraigned April 7 and pleaded not guilty.

Representative Peter H. Kostmayer, Democrat of Pennsylvania, and Representative Andrew Maguire, Democrat of New

Jersey, had asked Mr. O'Neill to ask Mr. Diggs to relinquish voluntarily his chairmanships of the House Committee on the District of Columbia and of the House International Relations Subcommittee on Africa.

The Congressmen's request, they said in a letter to Mr. O'Neill, did not represent any judgment on Mr. Diggs's guilt or innocence. But they were worried, they said, about Mr. Diggs's ability to fulfill his duties as chairman while defending himself in a criminal trial. They said they were also concerned with "the question of public confidence in the Congress."

Mr. Kostmayer and Mr. Maguire said after Mr. Diggs's refusal that they might try to get the 50 signatures necessary to convene a meeting of the 288-member Democratic Caucus. Under its rules, the caucus could vote to require Mr. Diggs to relinquish his chairmanships, at least temporarily.

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Also Defends Financial Transactions**O'Neill Predicts Few House Losses****By William Delaney**
Washington Star Staff Writer.

Whatever President Carter is standing in the polls, House Democrats "won't lose five seats" in November's mid-term election, Speaker Thomas P. O'Neill Jr. predicted today.

Pointing out that 72 percent of House Democrats led Carter in their districts in 1976, O'Neill told the American Society of Newspaper Editors: "I don't believe Carter will have any effect."

The speaker said "our polls" show no freshman or sophomore Democrats losing their seats this fall. He stressed that, historically, the party controlling the White House has lost an average of 36 seats in mid-term elections since 1916.

IN AN EBULLIENT wide-ranging report to the editors, O'Neill made these points:

- President Carter, with whom the O'Neills dined last night, will veto the \$13.5 billion farm bill, which the speaker called "the most inflationary thing I've ever seen."

- "There's going to be very, very little tax reform," though despite his wishes, Congress will probably cut Social Security employee-employer payments by \$6 billion. Those funds would instead come from general revenues or a crude oil tax.

- "No president of the United States in his first year as president has passed as much legislation that is major since 1933." Yet, he chided, "You don't hear of the victories. All

you hear is if we go along with the president we're a rubber stamp; if we don't, it's confrontation.

- "We'll have a hospital cost containment bill, and a welfare bill if I can get an agreement from the Senate that they'll take it up."

O'NEILL ALSO repeated his denial of a New York Times report that an investigation into his finances disclosed questionable transactions.

"There is no truth to it," O'Neill had said yesterday. "There is no truth to it whatever."

The newspaper said Sunday it found no illegality in O'Neill's financial dealings but the inquiry raised questions about his role in some transactions.

The Times said it learned that O'Neill had \$56,100 in unsecured loans with the Industrial Bank and Trust Co. of Everett, Mass., in 1970 and that a middleman told a grand jury he obtained an additional \$30,000 in unsecured loans for the congressman.

It said it could not learn when the loans were paid off but that they were not reported and that a House rule that became effective Jan. 1, 1971, required congressmen to report unsecured loans.

O'Neill said he did get a \$30,000 unsecured loan from a friend, but that he paid it off before the disclosure rule took effect.

"I don't know anything about the grand jury," O'Neill said. "There was absolutely nothing there and I was cleared."

The grand jury investigation

apparently was the one that led to convictions of four of some 20 persons who invested in a Broadway Capital fund.

The speaker said he and the others each put up \$5,000 to form the mutual fund but said he did not know the others personally.

He said the value of his \$5,000 investment now is \$617.01.

However, the Times said O'Neill failed to report the investment in his 1976 financial disclosure statement.

ANOTHER SPEAKER at the editor's convention today, HEW Secretary Joseph A. Califano Jr., urged the editors to send their investigative reporters into hospitals across the land to describe the "waste and obesity in terms of empty beds."

"The only people for hospital cost containment are the people in the administration," Califano conceded. But he predicted that a cost containment bill — less ambitious than the administration's — will pass this year.

**New Police Chief
Named in Chicago**

CHICAGO (UPI) — Capt. James E. O'Grady, who rose through the ranks from walking a beat, has been named superintendent of the Chicago Police Department.

"I promise to make this the safest city in the world," O'Grady said yesterday after the appointment was announced. He promised he will also attack corruption, which has plagued Chicago police for decades.

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DIGGS URGED TO GIVE UP POSTS

Three Congressmen have started pressuring Rep. Charles C. Diggs Jr., D-Mich., to temporarily give up the chairmanship of two committees until a federal indictment against him is resolved.

Diggs, in a meeting yesterday with Speaker of the House Thomas P. O'Neill Jr., refused the request, according to an aide to Rep. Peter H. Kostmayer, D-Pa., one of the three.

Diggs told the speaker he is innocent and said the pending legal proceedings will not affect his work in Congress, the aide said.

Kostmayer's aide said the three representatives feel that Diggs' legal problems "cast doubt on the name of the House of Representatives," as well as raise questions about whether he will have time to fulfill his leadership duties while preparing for court.

Kostmayer and the other two congressmen, Rep. Andrew Maguire, D-N.J., and Rep. Berkeley Bedell, D-Iowa, will decide today what step to take next, the aide said.

Possibilities include collecting the 50 signatures necessary to convene a meeting of the 292-member Democratic caucus, which appoints chairmen, or asking other congressmen to sign letters to Diggs asking him to step down.

Diggs was indicted March 24 on a 35-count indictment charging that he took kickbacks from some of his congressional staff members. He pleaded not guilty last Friday.

Diggs, a 12-term member of Congress, is chairman of the House District Committee and the international relations subcommittee on Africa.

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